

COMMITTEE ON FINANCE
(Standing Committee of Berkeley County Council)

Chairman: Mr. Jack H. Schurlknight, Council Member District No. 6

A **meeting** of the **Committee on Finance**, Standing Committee of Berkeley County Council, was held on Monday, **January 24, 2011**, in the Assembly Room of the Berkeley County Administration Building, 1003 Highway 52, Moncks Corner, South Carolina, at 6:14 p.m.

PRESENT: Chairman Jack H. Schurlknight, Council District No. 6; Committee Member Robert O. Call, Jr., Council District No. 3; Committee Member Cathy S. Davis, Council District No. 4; Committee Member Caldwell Pinckney, Jr., Council District No. 7; Committee Member Steve C. Davis, Council District No. 8; County Supervisor Daniel W. Davis, ex-officio; Mr. Phillip Farley, Council District No. 1; Ms. Nicole Scott Ewing, County Attorney; and Ms. Barbara B. Austin, Clerk of County Council. Mr. Timothy J. Callanan, Council District No. 2, and Mr. Dennis Fish, Council District No. 5, emerged and departed at points in time during this meeting, but those times were not officially documented.

In accordance with the Freedom of Information Act, the electronic and print media were duly notified.

Chairman Schurlknight called the meeting to order.

Chairman Schurlknight: "If I could have everybody's attention. First thing I'd like to do is thank everybody for coming out tonight. And, we're gonna take Finance Committee first thing tonight. We have Larry Finney here, our Auditor, so we want to go ahead, and let Larry do his report to us tonight. And, I also want to thank Councilman Farley for letting me go first tonight. First thing, I'd like to do is ask Mr. Caldwell Pinckney if he'd open us in prayer, and Mr. Phillip Farley with the Pledge. If everybody would stand, please?"

Committee Member Pinckney gave the Invocation, and Committee Member Farley led in the Pledge of Allegiance to the Flag of the United States of America.

A. Mr. Larry Finney, CPA, Green, Finney & Horton, LLP, Presentation, Re: Berkeley County Audited Financial Statement for Year Ending June 30, 2010

Chairman Schurlknight: "Mr. Finney. Also, I'd like to say for the Committee – if you're not a Member of the Finance Committee, you're still welcome for any kind of input, participation or whatever questions for Mr. Finney, feedback or what have you on this. So, feel free to jump into it at any time. Mr. Finney."

Ms. Kace Smith, Deputy Supervisor and Finance Director: "Chairman Schurlknight, I'd like to just speak for a few minutes to make sure that everyone is aware of why we have an audit. The County's required to have an annual audit by the South Carolina Codes. And, there was a

couple of items that we're required to have. Number 1, it has to be an independent audit, so we hire an independent professional, a CPA or a CPA firm to conduct that, and it must be done annually. And, what an audit is – an audit is really the auditor's opinion on our financial statement or our financial transactions. And, I just wanted to make sure that we educated everyone on why we had it, and that it was something that was required each year."

Chairman Schurlknight: "Yeah; thank you, Ms. Smith."

Mr. Larry Finney: "Thank you, Mr. Schurlknight, Mr. Davis and Council Members. Let's see if we can get this going for the audience to see too here. We do appreciate the opportunity to come before you and talk a little bit about a couple different things regarding the audit. The basic structure has stayed the same, but obviously, the information changes year to year. So, what I want to do is take a few minutes and talk to you a little bit about what an audit is and the actual results of the audit itself. And then, I want to spend a few minutes to kind of talk about the financial condition of the County at June 30, 2010, in terms of where you're at. So, let me start out and remind you of a couple different things, because a lot of times there's some misunderstanding in the sense that the actual financial statements themselves that are issued every year are issued by the County, and they are the responsibility of the County. And so, you have a very good Finance Staff that maintains that transactional information day-by-day. And, it's also the responsibility of the County to make sure that there's a good internal control system in place that will help make sure that all the information that's being recorded is being recorded accurately, completely, etcetera. What you hire us to do is to come in once they have finished closing out the books for the year, and basically, perform our audit work with the end result of issuing an opinion regarding the information that's in the financial statements. A couple things that I think are very important that I want to mention is it is very important that we work hard at maintaining our independence. And basically, what that means for the most part is that we cannot be involved in the day-to-day accounting. That's what the County Finance Staff does, and we wait until we can come in after year-end, so we can provide that opinion. What we basically do, in a nutshell, is we get all the transactional information for the County. All of the significant transactions we will look at individually. That doesn't make up a big part of the transactional population, so what we do for the rest of the population of the transactions and the balances and amounts, we will select samples, and test samples of transactions. We will confirm with third parties certain transactions. We will do inquiry of staff. We will do financial analysis and analytical review, among a number of other things, with the end result of issuing that opinion. Having said that, I am glad to tell you that the County has received, for the year-end of June 30, 2010, what we call an unqualified opinion. Now, let me say, I know what most of the time, when you hear unqualified, that is not good. Generally, when you hear qualified, that's a good thing, but for whatever reason, the American Institute of CPA's decided that they wanted to do it backwards. So, when you hear unqualified opinion, you need to know that from an audit perspective, that is as good as it gets. It does not get any better than receiving an unqualified opinion for your financial audit. Having said that, let me talk a little bit about the highlights in terms of where the County is at June 30, 2010."

Mr. Finney: "I want to start out talking about **General Fund – fund balance**, because this is one of the primary measurements that we tend to look at. And, you'll see there that the fund balance for General Fund increased about 4.9 million dollars for this year; 2.7 of that, over

half of that was due to a one time transfer or a transfer for this year from Mt. Holly to General Fund. The other 2.2 million resulted from operations. So, you can see there that the unreserved fund balance is 9.4 million dollars. That means there was about \$200,000 that was reserved fund balance. And, let me, basically, define a couple terms so we make sure that we're all on the same page. When I talk about a reserve fund balance, I'm talking about a fund balance that is either legally restricted, whether it be for grants or contracts or whatever it may be, or in the County's case, there's actually some funds that have already been spent for inventory and prepaid expenses, but they haven't actually been used by the County yet, so those are set aside as reserve fund balance. So, we have 9.4 million of unreserved fund balance, and you can see, there's three amounts there that have actually been designated. The term designated simply means that management and Council, and/or Council, have said we want to set these funds aside for this purpose. It's not legally binding or legally restricted. It can be changed at any point in time. So, it's really more of an intention for what we'd like to see the money spent for. So, you've got three items that have been designated. The one I want to highlight is the last one, the \$8,036,000, because for the first time as a result of the increase in fund balance, the County has actually met its Fund Balance Policy, a policy that was established several years ago, and you as a Council ought to be very proud of getting to that point. As a matter-of-fact, I think it's ahead of what you even planned from a scheduling standpoint, where you planned to be. So, you've got that 15 percent fund balance that you have met. Now, let me remind you of a couple things. Remember that that fund balance is fluid. You've met it for this year, but it would be just as easy if you end up spending more than you bring in next year to go back down below that fund balance. It changes year to year, and so one of the things that we encourage our clients to do is once you've met that fund balance to work toward developing a little bit of cushion that allows you to have some fund balance to use above and beyond that policy when you're doing your budgeting and planning from year to year. We'll talk a little bit more about that OPEB in just a minute. Yes, Sir; were you going to ask me a question?"

Chairman Schurlknight: "No."

Ms. Smith: "I just want to point out – if you look in fiscal year from 2006 to 2007, you see a significant decrease in the fund balance. I would remind Council that was the year that by action of you all that you – that was the Cypress Gardens debt that – monies that was owed from Cypress Gardens to the General Fund, and by action of a resolution you all passed, you satisfied that debt at that time."

Supervisor Daniel Davis: "And that was about 4,000,000, wasn't it, Kace?"

Ms. Smith: "Possibly; it may have been about 3,000,000. I can get that figure for you."

Mr. Finney: "I actually have a little cheat sheet just to kind of give you a feel. We just use this as part of our financial analysis, but I went back to 2005 just to kind of give you a little bit of a flavor. In 2005, the General Fund – fund balance was about 5.7 million dollars, but it included 2.3 that was a receivable due from Cypress Gardens that was later forgiven. So, if you took that out, our fund balance back in 2005, comparing apples to apples, was about 3.3 million dollars, and now, we're at 9.6 million dollars as a result of what you all done the last few years. And, I'm gonna get into a little bit of details about how we got there, but I want to remind you a

little bit about why, from our perspective, it's important to have that healthy fund balance. And, I'd really like to focus on two things. One is that, remember, for General Fund, the property tax revenue, including fee-in-lieu of taxes, is just slightly below 50 percent of total General Fund revenue. When we measure your fund balance of June 30th, you're basically looking at going about five to six months before you're gonna receive any more significant property tax revenue. So, you need something there for cash flow purposes to carry you through that time period. The other thing I'll mention that really kind of goes without saying, obviously, when we're in tough times like we are now, obviously, the County and a lot of other local governments have experienced lower revenues, less money coming from the state, etcetera, and you need something there to help carry you through some of those tough times. As you'll see on top of that, what the County's been able to do, and I really want to commend you all for this, Council management has responded the last couple years to the economy and some lower revenues by making some very, not always easy, sometimes difficult, but some timely decisions that have resulted in where you're at right now. How'd we get there?"

Mr. Finney: "If you look at the revenue side of things for **General Fund**, you'll see that **revenues** were up about 2.4 million dollars compared to the prior year. Primarily, that was due to taxes. You could see, including the FILOT and the LOST revenue. The biggest decrease you'll see about the third bullet down there (referring to presentation slide) is your intergovernmental revenues, state and federal revenues were down quite a bit compared to the prior year. If we look, compared to budget for General Fund, you'll see that our revenues were about 1.5 million dollars over what you had budgeted, again, primarily for the same reasons."

Mr. Finney: "On the **General Fund expenditure** side, I wanted to highlight a couple things for you there. You'll see that compared to the prior year, expenditures were down about 1.5 million. You'll see that the bulk of that was due to lower capital outlay expenditures, and then, there were some other slight decreases as well. If you look at it compared to budget, we were about 1.6 million less than what was budgeted. Again, this is where I want to highlight. I know some difficult decisions were made along the way, as a result of what was expected revenue-wise and the economy that helped get you to that point."

Mr. Finney: "Let me highlight just a couple other funds real quickly outside of General Fund, you'll see on the **capital projects** side, there's about a \$56,000,000 fund balance as a result of some bond proceeds and the Transportation Sales Tax collections, and I know that there are planned uses with the capital projects for those funds. On the **debt service** side, there's about 2.7 million sitting in fund balance. The County has to make sure that they've got enough money sitting in their debt service funds to meet annual principal and interest payments on their debt. And then, the **Special Revenue Funds**, you'll see, there's about 14.2 million in total, and we've kind of highlighted for you there some of the more significant funds, the Economic Development, Impact and Sangaree Tax District that make up the bulk of that \$14,000,000. And, obviously, those funds are set aside in Special Revenue Funds, because there's a specified purpose that those funds need to be spent for."

Mr. Finney: "**Water and Sewer Fund**, again, we've kind of hit the highlights for you here as well, in terms of operating revenues were just slightly ahead of the prior year. Operating expenses same way, so that you'll see operating income was about 8.1 million this year

compared to 8.7 in the prior year. I wanted to highlight for you, when we get to the bottom line, the way we measure water and sewer, the terminologies are a little bit different. It's called net assets, instead of fund balance, but when you see the term net assets, it's the equivalent of fund balance. So, we're really measuring the same thing as we do with General Fund, it's just different terminology. So you'll see that second bullet down there (referring to presentation slide). The increase in net assets was about 6.5 million dollars this year, so that total net assets is about 175,000,000. Now, what I want to highlight there is that about 160 of that is related to our infrastructure, ok, our Water and Sewer infrastructure. So, when you take that piece out, you can see that 14.9 million of unrestricted net assets – that's really what you want to focus on when you're looking at it like we do fund balance. Because of the revenue bonds that Water and Sewer issues, they have a debt service coverage ratio that must be met. The requirement is 1.2, and you can see the actual measurement was 1.25 for the year. But, this is one thing that I wanted to bring to the attention of Council. There's a couple of things from our perspective that, going forward, future issues that, I think, management and Council needs to address. This would be one of them. We're able to meet that ratio, because we are receiving to the tune of about 3.5 – 4 million dollars in one-time funds with impact fees. If you were to take those one-time fees out, we would not have met the ratio. And, I think the goal – those Impact Fees really aren't meant to be used as part of operations. And, so I think the goal that the County has is to try to get to meeting that debt service coverage ratio with our operating revenues, not using the impact fees. I think that would be a good long-term goal to get to."

Mr. Finney: "**Solid Waste Fund**, we've got the highlights there in terms of the results for the year. Again, you can see, there's very little change in operating revenues, operating expenses. Landfill closure and post closure costs continue to, obviously, be a significant cost going forward. And, even the operating income, that bottom bullet (referring to the presentation slide) there, bottom line was about the same as it was in 2009. And, we've got a few other highlights for you here, as well. You can see there the net assets about 21 million in total; 5.5 million in unrestricted net assets, which is one of the measurements that we want to look at, so that's good and healthy. And, bottom line you'll see down there, debt service coverage ratio, Solid Waste has always done very well with this ratio, 2.16 right now, and have that same requirement of 1.2."

Mr. Finney: "**Parks and Recreation Fund**, the big one being Cypress Gardens – I know we've talked about this for the last several years. Again, I've given you the highlights here in terms. The operating loss was a little bit less than what it was in the prior year. There was a planned transfer from General Fund to Cypress Gardens of the 440,000 to help offset that. You can see that the unrestricted net assets is still a deficit, a little over \$1,000,000 right now, and I know that has been addressed by County Council with that one (1) mill. And, as part of that, the plans to eventually pay back what, Kace, what is it, about a million, is it about 900 something thousand that Cypress Gardens owes General Fund right now? And, I know the plan is to help get that amount paid back through this mill revenue that will be going to Cypress Gardens."

Ms. Smith: [Inaudible]

Mr. Finney: "Ok; 940,000."

Mr. Finney: “That’s looking at everything fund by fund in terms of some of the more significant funds. If you’ll remember, several years ago, the County implemented what is known as **GASB 34**. It’s a governmental accounting standard. Two primary purposes, from our perspective with GASB 34, were 1) the accounting is a little bit different here. The County has to make some adjustments to their numbers so that the accounting is more like a private enterprise or a private company would account for their activities. And then, secondly, what we’re also doing here is we’re taking all those individual funds and we’re adding them together and saying when we put everything together, what do we look like as a County overall. So, this just kind of gives you the highlights, about \$650,000,000 in assets. You can see the bulk of it. It’s either the capital assets, the infrastructure, the buildings, the equipment, etcetera, that’s being depreciated, as well as the cash and investments of about 179,000,000. Most of your liabilities is your long-term debt, and you can see on an annual basis that the revenues and expenses are running in the 120 – 160 million dollar range overall. So, it just kind of gives you a flavor for what the overall County looks like.”

Mr. Finney: “I wanted to **highlight a few other things** that, from our perspective, are a little more significant as far as the County’s financial condition is concerned. One, we’ve got a little information on here about the County’s outstanding long-term obligations. As you would expect, the bulk of it is going to be the Revenue Bonds in Water and Sanitation, as well as the General Obligation Bonds of the County. There was some activity this year and even after this year, and so, we’ve kind of highlighted that there for you. I think, as of June 30, 2010, you can see the County had drawn down about 2.9 million of that South Carolina Infrastructure Bank loan. I think, now, that’s – has that all been drawn down now?”

Mr. Finney: “And then, this is the other item that I wanted to bring to your attention that from our perspective is probably the biggest long-term issue that the County has, and that is known as other post employment benefits, or the way I’d like for you to think about it is **retiree health insurance**, because that’s really what we’re talking about here. The County had to implement another governmental accounting standard two years ago where you had to begin recording not only – well, you had to begin recognizing this liability that is out there that’s made up of two pieces. One piece is the amount that has already been earned by employees of the County, and then the second piece is what is being earned by the employees of the County as they work day-by-day, month-by-month, year-by-year. And, what the GASB required the County to start doing is to take both of those pieces and calculate what is called in that second bullet there (referring to presentation slide) an annual required contribution. The GASB, the accounting standard, does not require the County to fund that annual required contribution every year, but when the County does not, that liability, not only is it recognized, but it’s gonna continue to increase year after year. And so, what has happened is the last two years, that annual required contribution has not been funded, and so there’s an unfunded liability of a little over \$3,000,000 that is sitting on the County’s books right now. At some – well, this is the issue from our perspective the County really needs to address. That liability is just gonna keep getting bigger and bigger and continue to increase, and so going forward from a budget perspective, we see that as probably one of the major issues that the County needs to take a look at. Now, if I take you back to one of the earlier slides, you’ll note that one of the designations of fund balance in General Fund was to take \$565,000 above and beyond the 15 percent policy and designate that

toward part of this liability that exists, but it's bigger than that \$565,000, so it's an issue that needs to be addressed as we go forward."

Mr. Finney: "There is **another standard** that's coming out this **next year** that's just gonna change some terminology with fund balance. We'll deal with it later, and help make sure everybody's up to speed on that."

Mr. Finney: "The other thing that I wanted to mention is, as you know, because the County receives a significant amount of **federal funds**, when that happens, the federal government actually asks us to select certain programs and test the County's compliance with those programs. It's called the single audit. If we had any compliance issues, we would have what are called findings. We tested two different programs this last year, including one RA or the Recovery Act – money that was used for one program, and we did not have any findings. The County's doing a good job in terms of its compliance with its use of the federal funds."

Mr. Finney: "As you know, we also issue a **management letter** every year. As we are performing our audit, we make notes of both minor and major issues that we may see that we just want to bring to the County's attention as we just continue to help it improve how you operate, the efficiency and effectiveness of what you do. If there are some more significant findings, we'll put those in the management letter. We have several that are not significant that we'll sit down and talk with management about, but the big one that I really wanted to touch on tonight that's in the management letter we've already talked about, and that's OPEB, just to make sure that the County understands that that's an issue that needs to be addressed going forward."

Mr. Finney: "In **summary**, let me just highlight a couple more things then I'll be glad to take any questions. First of all, that unqualified opinion, that's not a bad thing. That's a good thing, because that is the best opinion that the County can receive. I want to – when you look at the financial condition of where the County is at, you all should feel very proud. The County is in good financial condition, especially for the times that we're in, and Council and management, I want to say well – well done, good job with where you're at financially. And again, we've kind of highlighted the General Fund fund balance in the fact that this is the first time that the County has been able to meet that 15 percent policy that was established. So, with that, Mr. Schurlknight, I'll be glad to answer any questions."

Chairman Schurlknight: "Larry, first thing, we appreciate all the hard work that your firm put in on this audit. It's always good news to receive good news. I'd like to commend Council. I'd like to commend the employees of Berkeley County, the things they've done over this past year to help us reach these goals and surpass those goals, and I think it's been a team effort with everybody..."

Mr. Finney: "Much so."

Chairman Schurlknight: "...involved in that through the leadership, through the employees, and I think it was a job well done with everybody in the whole. Again, thank you."

Mr. Finney: "And, I do want to mention, you know, you have a good Finance Staff all away around, but they have their regular day-to-day job that they do, and you kind of got to look at this annual audit as something above and beyond. You know, it happens one time a year. It takes us a couple months worth of work, but it's above and beyond the day-to-day, and so it's a lot, it's a lot of work on their part more than anything else to prepare for us coming in, in addition to having to put up with us when we're here, so I want to thank them for all their help, hard work."

Chairman Schurlknight: "Great; and I do appreciate ya'll pointing out some issues that we need to look at, because we want to continue to get better and better as we move forward on this. Do you have any questions for Mr. Finney?"

Committee Member Steve Davis: "Mr. Chairman?"

Chairman Schurlknight: "Mr. Finney, how long have you been doing the audits, let's say, for Berkeley County Government?"

Mr. Finney: "I think, this is our fifth or sixth year. I don't remember exactly, but it's been about five or six years."

Committee Member Steve Davis: "Ok; and consistently, we have had unqualified opinions."

Mr. Finney: "Yes, Sir."

Committee Member Steve Davis: "What set this year out, though, more significant than those other years that we have received as unqualified opinion?"

Mr. Finney: "What was different this year?"

Committee Member Steve Davis: "Yeah; what was significant?"

Mr. Finney: "What really stood out?"

Committee Member Steve Davis: "Yes."

Mr. Finney: "By far and away what stood out this year was just where you're at financially and what you were able to do with your General Fund fund balance to even be ahead of what you all had set as a plan for meeting that 15 percent goal. And, from my perspective, besides – besides the transfer from Mt. Holly, it was the way you all managed the finances. There were some difficult decisions that had to be made, some cutbacks that had to be made, and, and you did it."

Committee Member Steve Davis: "Thank you very much."

Mr. Callanan: "Mr. Chairman?"

Chairman Schurlknight: "Mr. Callanan."

Mr. Callanan: "Yeah, Mr. Finney, thank you for your presentation. The questions I had is on the fund balance and what concerns me about it. I mean, essentially, we had borrowed money from Water and Sanitation that we were going to pay back with Mt. Holly money, and then, rather than pay back the money from – the money that we owed Water and Sanitation immediately, we amortized that loan over a longer period of time and then used the Mt. Holly money to put into the fund balance. So, we're essentially borrowing money to add to the fund balance. Correct? We're borrowing money from Water and Sanitation, I mean, when you take that middle step out of there, that's essentially what we're doing – for 3.8 million of it..."

Mr. Finney: "I guess..."

Mr. Callanan: "Not 4.9."

Mr. Finney: "I guess, what you're asking is, obviously, there's a plan to pay that money back to Water and Sanitation, and you're saying, we could have gone ahead and paid it back..."

Mr. Callanan: "Which was the original plan."

Mr. Finney: "... [inaudible] Mt. Holly or do what we did."

Mr. Callanan: "So, I mean, we essentially borrowed the money from Water and Sanitation to fill 3.8 million of it to add to the fund balance."

Mr. Finney: "Pardon me?"

Ms. Smith: "It wasn't a loan. It was..."

Mr. Callanan: "Right or whatever, interdepartmental transfer. I mean, originally, it was called a loan though. Ok; so, I mean, that's – but at some point that interdepartmental transfer will be transferred back to Water and Sanitation, correct?"

Mr. Finney: "That's what..."

Ms. Smith: "By action – if Council wants to continue doing that, but Council also has the authority of not to transfer any additional funds. So, that's a decision that Council can make. Transfers between departments are Council decisions."

Mr. Finney: "Since it's interdepartmental, as opposed to being outside [inaudible]..."

Mr. Callanan: "But, currently, there is a resolution to pay that money back."

Ms. Smith: "To transfer 500,000 a year until we transfer alike amount back..."

Mr. Callanan: "Ok."

Ms. Smith: "...yes."

Mr. Callanan: "But the point I'm making is that we increase the fund balance, essentially, by taking money from Water and Sanitation's General Fund, and we've agreed to pay it back or also known as transferred back, right?"

Ms. Smith: "Well..."

Mr. Finney: "If I remember right, though, the reason, the reason we originally transferred that money from Water and Sanitation was to pay outside debt..."

Mr. Callanan: "Right."

Mr. Finney: "...and so, if we had, had not made that transfer, we would still have a fund balance like we do, we would just have additional outside debt. So, yeah, I mean, you can look at it several different ways."

Mr. Callanan: "But you would, yeah, in that case, you would have just taken the money directly from Water and Sanitation and dropped it in there, versus kind of the around the way we're talking about, but either which way, it's a, it's from Water and Sanitation. That's how we added to that fund balance. We took from one fund balance and added to another. I mean, that's, that's the, I mean, that's the way it is, right?"

Mr. Finney: "I'm still not sure exactly what you're trying to say. I mean, that's part of the reason that's why we show you the GASB 34 numbers too, so that you can look at it in..."

Mr. Callanan: "The overall picture, but I'm just saying, this is how we got there, and that's important for people that know that's exactly, that's how we got there. The question, the other question I had had to do with – what, what's the fund balance currently, right now, in Water and Sanitation, in the Water and Sewer Fund? Is that the unrestricted..."

Mr. Finney: "Yeah."

Mr. Callanan: "\$15,000,000."

Mr. Finney: "Yeah; if you look at Slide 9, the 14.9 million in unrestricted net assets – that's the Water and Sewer equivalent of fund balance."

Mr. Callanan: "Ok; and then, plus, we've got a receivable from the County for 3.5 million dollars."

Mr. Finney: "Well, but that's included as part of that."

Mr. Callanan: "Oh, that's included as part of it, unrestricted."

Mr. Finney: "That's an asset that falls down into..."

Mr. Callanan: "Into unrestricted."

Mr. Finney: "...that asset number."

Mr. Callanan: "Ok; good; thank you. And, on the – you know, you had mentioned that you had a concern with regards to whether or not we're going to meet our obligation with regards to the debt service coverage ratio this year, because we – a lot of it had to do with kind of a one time, bulk purchase of, of what do you call them?"

Mr. Finney: "The impact fees?"

Mr. Callanan: "The impact fees."

Mr. Finney: "Yeah; it's, it's, it's not that I am concerned whether you're gonna meet the ratio or not. My, my concern is more of not relying – your impact fees continue to come in every year, obviously, to – it increases or decreases. My bigger concern is that it'd be great to have the ratio be even higher than what it is, because we're able to meet it with operational revenues without having to rely on the impact fees..."

Mr. Callanan: "But, the combination of the two funds, the Solid Waste Fund and the Water and Sewer Fund, which we did today, will result in bumping that up, because the Water and Sewer Fund, although it's, I mean the Solid Waste Fund..."

Mr. Finney: "Solid Waste."

Mr. Callanan: "...although, it's not as large, is at 2.16..."

Mr. Finney: "Correct."

Mr. Callanan: "...but when added to that will bump that up. I mean, I just don't..."

Mr. Finney: "Absolutely."

Mr. Callanan: "want to give anyone the impression that there's any need what-so-ever to raise any sort of rates or impact fees."

Mr. Finney: "No; I am..."

Mr. Callanan: "To meet this coverage ratio."

Mr. Finney: "No; we're not concerned..."

Mr. Callanan: "And, we're not in dire straits there."

Mr. Finney: "...concerned about you meeting it in the future, and that's part of the reason why."

Mr. Callanan: "And, we got \$15,000,000 in the bank, which is a pretty healthy fund balance for that. The, the other issue I have, obviously, is a big concern of mine. It was mine two years ago. It's mine again today is this ticking time bomb that is that we're not funding our post employment benefits. Where – when was the last time we funded that?"

Mr. Finney: "It actually has not been funded."

Mr. Fish: "It's never been funded."

Mr. Callanan: "Since they required it, we've, we've not funded it any year?"

Ms. Smith: "Yes, Sir; this is the second year we're required to record it, and so, no, the County has never funded their OPEB liability..."

Mr. Callanan: "Ok."

Ms. Smith: "...the year 2009 was the first year we've recorded any liability."

Mr. Callanan: "And so, but that combined liability, I'm understanding, is \$13,000,000, is that right?"

Mr. Finney: "No; it's actually about 3.2 million..."

Mr. Callanan: "3.2 million."

Mr. Finney: "...is the actual unfunded liability that, that comes from the annual required contributions that have not been funded..."

Mr. Callanan: "So..."

Mr. Finney: "...the 13..."

Mr. Callanan: "At some point, future generations are gonna have to come back here and fund that. I mean, that's essentially..."

Mr. Finney: "...it's gonna have to be..."

Mr. Callanan: "...how it comes down to."

Mr. Finney: "...funded at some point in time, yes, unless there are some, you know, unless there are changes made to the plan and all that. And, I think – I don't want to speak out of turn, but, I think, that's something that's gonna be looked at? Is that..."

Supervisor Daniel Davis: "Yeah."

Mr. Finney: "...correct?"

Supervisor Daniel Davis: "Mr. Chairman, if I can clarify. There are two..."

Chairman Schurlknight: "Yes."

Supervisor Daniel Davis: "...approaches to the OPEB liability. One is that you lower the liability by making changes in post employment benefits, and we actually have a committee, I think, that was appointed to take a first look at that. And, I think, we, we need to continue that. So, we can lower our liability significantly. Some counties in South Carolina, some units of local government, have made changes so significantly, they have eliminated liability, which is one possibility. But, but we think that, that we can make some changes, lower the liability significantly. We have designated some dollars, half-a-million dollars towards the liability. Hopefully, after we go through this exercise, we'll be able to fund that liability over the next several years, and get that to some reasonable level."

Mr. Callanan: "Ok. And, the last question I had is – just going over this presentation and looking over the more detailed information in the booklet with regards to government revenues..."

Mr. Finney: "Yes, Sir."

Mr. Callanan: "You had made a statement that government – that our revenues are up 2.9 million dollars this year? Was that right? Or, something to that effect."

Mr. Finney: "The General Fund revenues were, were up 2.4 million..."

Mr. Callanan: "2.4 million dollars; ok. So, the, so but reading they – so, but reading the, the liabilities from 2009-2010, it shows a difference of \$138,000,000 in 2009 in revenues to \$164,000,000. This is on Page 6. Now, I know, 16,000,000 of that is the revenues from the one penny transportation tax, which didn't exist last year. So, taking that out of the equation, it still leaves us with \$10,000,000, which is, which is more than the 2.4 million. So, I'm just trying to figure what's the differential there?"

Mr. Finney: "Sure; when you are on Page 6, you see up at the top of that table where it says governmental activities?"

Mr. Callanan: [responded to the affirmative]

Mr. Finney: "That is not just General Fund. That includes capital projects' fund, debt service fund and special revenue funds, as well."

Ms. Smith: "And it's also on the government's..."

Mr. Fish: "Perhaps, it would be eight million."

Mr. Finney: "Yeah; when I talked about GASB 34 being implemented and how the accounting changes a little bit when we add all the funds together..."

Mr. Callanan: "Right."

Mr. Finney: "...these numbers are based on the GASB 34 numbers..."

Mr. Callanan: "Ok; versus?"

Mr. Finney: "...by individual fund."

Mr. Callanan: "Ok; but, I mean, I would say that, by virtue of the facts, that taxes are up by 2.4 million dollars this year over last year, we're not affected by the economy. And, I'll say that, because you look at entities like the state government, which are at 1998 levels of revenue, and you look at entities like the school board, which are somewhere similar, massive cuts in revenues, you know, we're, we're, we seem to be very comfortable, you know, collecting, collecting revenues. It appears, our revenues are not affected. They're actually up, year over year."

Mr. Finney: "Overall, you have fared very well. Now, one thing that happened, I think, in the County this year with the increase in assessed values, obviously, that doesn't necessarily happen every year..."

Mr. Callanan: "But, that supposed to be revenue neutral."

Ms. Smith: "We also had some growth in the assessment..."

Mr. Callanan: "Ok."

Ms. Smith: "...not from existing homes, necessarily. We've got to look at new growth and new activity, new homes and new businesses that have come in, versus the existing homes."

Mr. Callanan: "Right; but, you know, I'll just finish on this point is that if there's anything I can get out of this is that, you know, you know, any sort of appearance that the sky is falling when it comes to County government, these numbers don't appear to back that up. We seem to be very healthy year over year, and so, you know, when our – especially compared to our other governmental entities, which are severely taking a hit. Thank you."

Supervisor Daniel Davis: "Mr. Chairman, just a final comment on that. You still gotta remember in your statement, you didn't account for the loss in state funds, and so, we had a relative loss in state funds. Berkeley County is probably healthier than a lot of counties in South Carolina, but we all took the relative cuts in state revenues that everybody else did, so, and those were revenues that the growth that we had this year, while not as large as we had in previous

years, but prior to 2006, the growth was still lower than the growth those years, and we had those state revenues. So, it's not a sky is falling kind of revenue picture, but we've taken a significant hit. Remember, that our budget, our budget is down from 55 million, approximately 55 million in 2006, to 52 million and some dollars this year, so that's..."

Mr. Callanan: "But..."

Supervisor Daniel Davis: "...that's a direct result of the recession. We just didn't have as big a hit as other counties."

Mr. Callanan: "But, year over year, I mean, is revenues, I mean, the use of the word budget, versus revenues. Revenues is the number that, I think, is significant here. Are revenues up or are they down?"

Mr. Finney: "Compared – actual revenues compared to actual revenues are up for General Fund."

Mr. Callanan: "Thank you."

Chairman Schurlknight: "Any other comments?"

Committee Member Steve Davis: "Mr. Chairman, I want to say that we're very fortunate to have Mr. Dan Davis' leadership during these very difficult economic times. And, I'm not as sophisticated as the numbers, but I like unqualified opinion. I like the fact that the County seems to be headed in the right direction financially. I primarily was concerned the last time about the fund balance, and we have addressed that issue, and I feel very confident that we will address those issues pertaining to the liability that you talked about, about the retirees' benefit. I think, Mr. Davis has already made the move to have a committee address that issue, and I think, we can attack that problem just like we attacked the General Fund balance. And, I just want to say Mr. Dan Davis and your staff, I commend you for your efforts and your work. I've been on County Council now. I'm the senior man on County Council, so I've seen a gradual improvement in our financial condition, and I point and give him his credos in reference to where we find ourselves. And, I thank you too, Mr. Finney, because I've been listening to these unqualified opinions now for about five years, and this is good news for the citizens of Berkeley County. Thank you."

Chairman Schurlknight: "Thank you, Mr. Davis."

Committee Member Call: "Mr. Chairman?"

Chairman Schurlknight: "Mr. Call."

Committee Member Call: "Mr. Finney, I, I share the unqualified description with you. It just don't sound really good, but it does come from a qualified accountant, so we'll just have to accept that. We received some information today – some of our legislators from Berkeley County boosting that, perhaps, our County is in great fiscal shape. Would you concur with that?"

Mr. Finney: "Yeah; I mean, when you look at your overall financial condition, it is very good."

Committee Member Call: "Additionally, the total size what they say of our reserve fund, without taking into account how much of the fund is required for bonds, we covered with our reserve fund adequately for bonds and for our operating expenses. Is that what I get from them?"

Mr. Finney: "Yes, Sir."

Committee Member Call: "And, my next question is all of this translates into stronger bond ratings, lower interest rates, and, I think, we sold our highway bonds for – what was that, I think, it was two percent? Mr. Davis, can you help me with that?"

Supervisor Daniel Davis: "I'm not..."

Ms. Smith: "It was a little bit higher than that."

Committee Member Call: "Was it a little bit higher than that?"

Ms. Smith: "It was a very good rate."

Committee Member Call: "It was a very good rate, and there was a lot of interest. There were a lot of bidders, and I think it was due to our – of course, we had the referendum, and the money was going to be there to pay for it. But, you know, one or two percentage points on \$100,000,000 is a lot of money to me. It may not be to government, but it's a lot of money to me, and of course, that money stays right here in our, in our Berkeley County treasury, rather than it being paid to a bank in New York..."

Mr. Finney: "Yes, Sir."

Committee Member Call: "...somewhere. So, thank you so much for the report. It's certainly enlightening and encouraging. Now, if we can just get the state to share with us what they should share with us, we'll make it through another year. Thank you, Mr. Finney."

Chairman Schurlknight: "Thank you, Mr. Call. Do we have any other comments?"

Chairman Schurlknight: "Hearing none, again, Larry, I'd just like to wrap it up again. Appreciate all the time and effort you all put into this, all you did for us, and thanks again for the good news."

Mr. Finney: "Thank you."

Chairman Schurlknight: "And, safe travels to you."

EXECUTIVE SESSION

It was moved by Committee Member Steve Davis and seconded by Committee Member Pinckney to enter into Executive Session to discuss matters relating to the proposed location, expansion or the provision of services encouraging location or expansion of industries or other businesses in the area served by the County; discussions of negotiations incident to proposed contractual arrangements and proposed sale or purchase of property; the receipt of legal advice where the legal advice relates to a pending, threatened or potential claim or other matters covered by the attorney/client privilege; settlement of legal claim; or the position of the County in other adversarial situations involving the assertion against the County of a claim. The motion passed by unanimous voice vote of the Committee.

Chairman Schurlknight: “Also, I want to invite all County Council Members into the Executive Session with us, not only just Committee Members.”

The Committee entered into Executive Session at 7:04 p.m., and returned to Committee Session at 7:15 p.m.

Chairman Schurlknight: “If I can have everybody’s attention, please. Madame Attorney, will you report us out of Executive Session?”

Ms. Nicole Scott Ewing, County Attorney: “Yes, Mr. Chairman. The Committee went into Executive Session for the reasons stated in the motion. No action was taken.”

Chairman Schurlknight: “Thank you, ma’am.”

APPROVAL OF MINUTES

The agenda item to approve the Committee on Finance Meeting minutes of December 13, 2010 was inadvertently overlooked. These minutes will be approved during the Committee on Finance Meeting to be held February 28, 2011.

B. Consideration of a resolution authorizing execution of an agreement regarding transfer of **fee-in-lieu** of tax arrangement between Berkeley County, South Carolina, **RG-MWV, LLC** (f/k/a Rock-Berkeley, LLC), **RG-MWV Neptune, LLC**, and **TBC Retail Group, Inc.**

It was moved by Committee Member Pinckney and seconded by Committee Member Steve Davis to **approve consideration** of a **resolution** authorizing execution of an agreement regarding transfer of fee-in-lieu of tax arrangement between Berkeley County, RG-MWV, LLC, RG-MWV Neptune, LLC, and TBC Retail Group, Inc. The motion passed by unanimous voice vote of the Committee.

C. Mr. Dwight Williams, Cypress Gardens Director, Re: Application for a Grant from Google Data Community Center for High Speed Internet Access at Cypress Gardens

Chairman Schurlknight: "Mr. Williams."

Ms. Ewing: "Mr. Chairman, I believe that was just provided for information only just to give Council notice that they were applying for that grant and giving background information. It's my understanding that should the grant be awarded, Cypress Gardens would obviously come back for approval from Council."

Chairman Schurlknight: "Thank you, ma'am. What's that, Kace?"

Supervisor Daniel Davis: "He's coming."

Ms. Smith: "But, Dwight's here now, and he can explain to you..."

Chairman Schurlknight: "Yes, yes; we'd like to hear about it."

Ms. Smith: "...about the grant award and what the request is for."

Chairman Schurlknight: "Good."

Mr. Dwight Williams: "Our grant is to the Google Berkeley County Data Center, and it is to bring high speed internet to the Gardens. Home Telephone has now placed fiber optic line close to Cypress Gardens. This money is required to run cable between the buildings and also to purchase the server, firewall, Wi-Fi transmitters and other hardware that has to go along to getting the stations hooked up there."

Chairman Schurlknight: "Good. Do we have any questions for Mr. Williams?"

Committee Member Steve Davis: "Do you think our chances are pretty good of obtaining the grant?"

Mr. Williams: "I think, if not this time, we will try again."

Committee Member Steve Davis: "Ok; thank you."

Committee Member Cathy Davis: "Mr. Chairman?"

Supervisor Daniel Davis: "And, I think they come every quarter. Is that right?"

Mr. Williams: "That's their quarterly, right."

Chairman Schurlknight: "Ms. Davis."

Committee Member Cathy Davis: "Will that amount cover everything?"

Mr. Williams: "The only additional expense is going to be an additional monthly expense after we subscribe to Home Telephone for internet access. Currently, we're paying \$25.00 a month to AT&T for our one line of dial-up, and I estimate it will be about \$150.00 with Home Telephone for high speed internet."

Committee Member Cathy Davis: "So, that would be the only additional cost? Ok; thank you."

Chairman Schurlknight: "Any other questions for Mr. Williams? Hearing none, thank you, Dwight."

Chairman Schurlknight: Without objection, I've got an item I've added to my agenda under Unfinished Business. This pertains to the transparency subcommittee that was formed about 10 months ago. Ms. (Cathy) Davis, you were the chairman of that committee. Do you have a report on anything, Ms. Davis?"

Committee Member Cathy Davis: "No, I was kind of waiting on you, because I went back and actually pulled the minutes several times and reread them to make sure I understood what I was reading, with what I was reading, and you were going to talk to someone from Finance and IT and Legal to get them to sit on the committee, and I never heard anything back from you."

Chairman Schurlknight: "Ok; I guess, we can throw this monkey around, but yes, they were going to participate in that committee with us, but that, in no way, was to deter you from going ahead and calling the committee meetings. Ms. Davis, would you like to continue to chair this committee for us?"

Committee Member Cathy Davis: "Yes, I would."

Chairman Schurlknight: "Great; thank you."

Committee Member Cathy Davis: "Have you got those names for me?"

Chairman Schurlknight: "Yes, I can those to you tomorrow. I hope that won't be a problem. We have Mr. Fish also was on the committee for the transparency. I don't have a problem with Mr. Fish staying on the committee. He's not a part of the Finance Committee, but I don't have a problem with him being on a sub-committee. Do any of the Members have a problem with that? Ok; hearing none, we'll go with that, and we'll address these issues here. And, this is going back to about 10 months ago with a resolution from the recommendations, I should say, the resolution from the Executive Committee from the Berkeley County Republican Party. This sub-committee is going to be looking at are we capable of IT to do what we want to do, the monies that is involved in posting this stuff on the internet. Also, I've heard, that we'll get confirmation that Comcast has agreed to film Council Meetings at no charge, which is great.

I commend whoever got that through Comcast, and we'll get confirmation on that. And, we will start the transparency initiative just as soon as possible. I would like for us to have something at least by February, Ms. Davis. I think, if we work real close with that to get that back here by our next meeting, and we can get the ball rolling on that, and we'll look at, you know, phasing in things as we can get the information on that."

Committee Member Cathy Davis: "Ok."

Chairman Schurlknight: "Any other discussion on this transparency initiative?"

Committee Member Steve Davis: "Mr. Chairman, just that I had the pleasure of staying up in Columbia this past weekend, and they got a local channel there, and they show their city council meeting, and it stays on. You know, you can know just what's going on on city council in Richland County. And so, I commend any efforts to have something quite similar in Berkeley County, because truly this is the peoples' government. This is, this is theirs, and it will create a great opportunity for them to see the interplay. I wish they were here tonight when Mr. Finney's stated so eloquently about the state of affairs financially for our County. More people need to know there's good news instead of all the negativity that is reported all the time. So, I welcome this opportunity for transparency in our local government here in Berkeley County."

Chairman Schurlknight: "Mr. Davis..."

Committee Member Steve Davis: "It's not just a Republican thing; it's a Democrat thing too, just for label's sake, but it's really the peoples' thing, which transcend the Republican and Democrat Party."

Chairman Schurlknight: "Mr. Davis, I agree with you wholeheartedly. Any time we can be transparent and bring things to the forefront, we should be able and willing to do that. Any other discussions on this issue?"

Supervisor Daniel Davis: "Mr. Chairman, I just want to mention..."

Chairman Schurlknight: "Yeah."

Supervisor Daniel Davis: "Actually, Nicole, could you verify this that we've actually had the ability to broadcast our meetings on cable for – ever since we've had a franchise agreement with Comcast, and I assume the same thing holds true for Home Telephone. But, we've always had that ability or that right. They provide that as a part of the franchise agreement."

Ms. Ewing: "That's correct, Mr. Davis. All of our franchise agreements require that the cable provider provide us a local access channel once we request it, and I believe, I don't know if they still do, I believe, EPD may have utilized that at some point in the past, but I don't know that for certain."

Chairman Schurlknight: "Thank you. Any other comments?"

Ms. Barbara Austin, Clerk of Council: "Mr. Chairman?"

Chairman Schurlknight: "Yes, ma'am."

Ms. Austin: "Are you gonna name the other members for your committee?"

Chairman Schurlknight: "Yes, I think, I can go ahead and name them tonight."

Supervisor Daniel Davis: "Just name the directors."

Ms. Austin: "If you don't."

Supervisor Daniel Davis: "You can name the directors, Chip, Kace..."

Ms. Ewing: "I've got some of the names. Mr. Boling has indicated that Frank Saldamarco from IT will be on the committee."

Chairman Schurlknight: "Alright."

Ms. Ewing: "I will represent Legal."

Chairman Schurlknight: "Ok."

Ms. Ewing: "And Kace?"

Chairman Schurlknight: "Yeah."

Ms. Ewing: "Kace will represent the Finance Department."

Chairman Schurlknight: "Yeah; you got those names, Barbara? Yeah; good, thank you."

Committee Member Cathy Davis: "What about Mr. Fish?"

Chairman Schurlknight: "We will get a confirmation from Mr. Fish, and I would – hopefully, and I think he will, serve on the sub-committee with us. Hopefully, he will."

Chairman Schurlknight: "Any other?"

Committee Member Pinckney: "Yes, Mr. Chairman?"

Chairman Schurlknight: "Mr. Pinckney."

Committee Member Pinckney: "I'd like to make comment, as well, about the transparency and having our meetings televised, because – and it's a golden opportunity, once again, to disseminate this information, not only to let the citizens of Berkeley County know

where we stand financially, but how responsible we are to their needs of the citizens of Berkeley County, regardless to where they live or what their political affiliation may be, because often times, you know, we divide Berkeley County. And, Berkeley County has been a two-part County for too long, and now that we are in the 21st Century, it's now time that we start caring about people, and letting the taxpayers of Berkeley County know that they have a governing body that's sincere in what they're doing when it comes to governing the affairs of Berkeley County. I welcome it. I think, it's going to be an asset, and it's going to let the citizen know who deserves to be elected or re-elected to Council every four years. So, let's move forward. Thank you."

Chairman Schurlknight: "Thank you."

Committee Member Cathy Davis: "Mr. Chairman?"

Chairman Schurlknight: "Ms. Davis."

Committee Member Cathy Davis: "Do you know what, approximately, what percentage of Berkeley County population is serviced by Comcast?"

Chairman Schurlknight: "I'm not sure. I know a good bit of it is, obviously, with Home, but that is something we can look at. If possibly, I don't know if they might be able to do a dual-type – if Home has anything they can help us with also. We would have to look at that, the committee. We'll look at all the service providers Countywide and see what we come up with."

Committee Member Cathy Davis: "Ok."

Chairman Schurlknight: "I, I believe I could help you with that – find those, those out for you. Any other comments? Hearing none, I'll entertain a motion to adjourn."

It was moved by Committee Member Call and seconded by Committee Member Steve Davis to **adjourn** the meeting of the Committee on Finance. The motion passed by unanimous voice vote of the Committee.

Meeting adjourned at 7:26 p.m.

February 28, 2011
Date Approved

FINANCE

(Standing Committee of Berkeley County Council)

Chairman: Mr. Jack H. Schurlknight, District No. 6

Members: Mr. Robert O. Call, Jr., District No. 3
Mrs. Cathy S. Davis, District No. 4
Mr. Caldwell Pinckney, Jr., District No. 7
Mr. Steve C. Davis, District No. 8
Mr. Daniel W. Davis, Supervisor, ex officio

A **meeting** of the **COMMITTEE ON FINANCE**, Standing Committee of Berkeley County Council will be held on **Monday January 24, 2011**, at **6:00 p.m.**, following other scheduled committee meetings in the Assembly Room, Berkeley County Administration Building, 1003 Highway 52, Moncks Corner, South Carolina.

AGENDA

APPROVAL OF MINUTES

December 13, 2010

EXECUTIVE SESSION to discuss matters relating to the proposed location, expansion, or the provision of services encouraging location or expansion of industries, or other businesses in the area served by the County; or discussions of negotiations incident to proposed contractual arrangements and proposed sale or purchase of property, the receipt of legal advice where the legal advice relates to a pending, threatened, or potential claim or other matters covered by the attorney-client privilege, settlement of legal claim, or the position of the County in other adversarial situations involving the assertion against the County of a claim.

A. Mr. Larry Finney, CPA, Green, Finney & Horton, LLP, Presentation, Re: Berkeley County Audited Financial Statement for Year Ending June 30, 2010.

B. Consideration of a resolution authorizing execution of an agreement regarding Transfer of Fee-In-Lieu-of-Tax arrangement between Berkeley County, South Carolina, **RG-MWV LLC (F/K/A Rock-Berkeley LLC), RG-MWV NEPTUNE LLC, and TBC Retail Group, Inc.**

C. Mr. Dwight Williams, Cypress Gardens Director, Re: Application for a grant from Google Data Community Center for high speed internet access at Cypress Gardens.

January 19, 2011
S/Barbara B. Austin, CCC
Clerk of County Council